
36TH Annual Report

2010 - 2011



Algonquin Forestry Authority



Thirty- sixth Annual Report 2010 - 2011



TO HIS HONOUR
The Lieutenant Governor
of the Province of Ontario

Contents

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to
present to Your Honour the Annual Report
of the Algonquin Forestry Authority for the
year beginning April 1, 2010 and ending
March 31, 2011.

THE HONOURABLE LINDA JEFFREY
Minister



**Forestry
Algonquin
Authority**

THE HONOURABLE LINDA JEFFREY
Minister of Natural Resources

Honourable Madam:

I have the honour to submit to you the Annual
Report of the Algonquin Forestry Authority for the
year beginning April 1, 2010 and ending March 31,
2011.

HUGH CHRISTIE
Chair

Role and Mandate.	2
Chair's Message.	3
Forest Management.	4
Harvesting.	5
Financial Results.	6
Board of Directors.	7
Organization Chart.	8

FINANCIAL STATEMENTS

Management's Statement

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes In Net Assets

Statement of Cash Flows

Notes to the Financial Statements

The Algonquin Forestry Authority (AFA) operates under the Algonquin Forestry Authority Act, 1990. This legislation sets out the management, objectives and powers of the AFA. Responsibilities in Algonquin Provincial Park include:

- ▶ Ensuring the sustainable management of Algonquin's forests
- ▶ Planning of all forestry operations
- ▶ Harvesting and distribution of wood products to mills
- ▶ Monitoring forestry operations

All forestry activities are carried out under the direction of a Ministry of Natural Resources' approved Forest Management Plan (FMP). These activities are subject to an Independent Forest Audit every five years and the audit results are tabled in the Ontario legislature and made available to the public. In addition, the Algonquin Park forest is certified to Canada's national forest certification standard CSA Z-809. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from independent forest audits to defined standards.

A key component of the CSA Z-809 standard is the AFA's environmental management system (EMS). The EMS has been registered to the International Standards Organization (ISO) 14001 standard since 2001. Key components of the EMS are prevention of pollution,

continual improvement and compliance with applicable laws and guidelines.

AFA receives management direction from several different plans and legislation, but its Sustainable Forest Management (SFM) Policy guides its day-to-day activities.

AFA's commitment to SFM can be found in its Vision Statement:

To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

The Authority applies the principles of SFM to balance the public's concern for protecting Park values. Protection of recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while maintaining a supply of forest products to mills dependent on Park timber. Harvesting is carefully regulated to minimize impacts on other forest values.

The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested supports 13 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Mattawa and Rutherglen. Another five to ten mills receive periodic supplies.



by Hugh Christie

The Annual Report is delivered to the Legislature in compliance with the requirements of the Algonquin Forestry Authority Act, 1990 in order to inform members about the operations of the Algonquin Forestry Authority (AFA) over the past year.

The 2010 - 2011 fiscal year was another challenging one for the forest industry in Ontario, including the AFA. Demand for most forest products did not change materially from the previous year. The total volume harvested by AFA was up by 9.2% in 2010-2011. Considering the economic conditions the forest industry experienced, and will continue to experience, the Board of Directors is satisfied with the financial statements in this annual report. Unfortunately, market conditions for most forest products and tree species are expected to remain unchanged going into the 2011-2012 year.

The end of the 2010-2011 fiscal year marks the end of AFA's 36th year of operation. Although operating conditions were difficult last year, AFA met its objectives for the 2010-2011 year. The financial statements in the Report document net income of \$ 134,055. This takes into account a reimbursement of over \$424,615 to the clients of AFA.

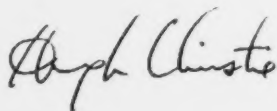
The Algonquin Park forest is certified to Canada's national sustainable forest management standard CSA Z-809. AFA's environmental management system has been registered to the international standards organization ISO 14001 standard since 2001. The 2010-2020 Forest Management Plan was approved by the Ministry of Natural Resources in 2010 and covers the planning period from April 1, 2010 to March 31, 2020. The plan describes the long-term strategic direction to provide for the sustainability of the Algonquin Park forest.

In June 2010, director Anne Mundy completed her term of appointment. On behalf of the Board and staff of AFA, I would like to thank Anne for her commitment and positive input to governance of AFA and Algonquin's forests over many years. In February 2011 David Stewart was appointed Vice-Chair of the Board. Dave has been a member of the Board since February 2009 and brings a wealth of experience to AFA.

During the year Ron Cahill retired in April 2010 from the position of Wood Measurement & Compliance Supervisor with AFA. Ron worked for 33 years with AFA and was diligent in ensuring operations were in full compliance of regulatory policies. Dave Barras also retired in March 2011 from his position of Roads Supervisor with AFA. Dave worked over 27 years with AFA and was regarded as an expert in road construction and maintenance activities. He was also instrumental in designing and building the first turtle crossing to the Park. On behalf of the Board, I extend best wishes to both Ron and Carol, and Dave and Marlene for a happy and healthy retirement.

As this is my last Annual Report, I record here some thoughts on the operation of the AFA. Firstly, it is staffed by remarkable individuals; hard-working and dedicated. Secondly, its Board of Directors is composed of individuals committed to do what they can for the families around Algonquin Park dependent on a sustainable forest industry. Finally, attention needs to be re-focused by government on the compliance burden faced by the Authority, and as a result, its clients. The number of separate planning exercises, reporting steps and audit functions it performs annually is extraordinary, and ought to be reviewed to cull out repetition, while not compromising the sustainability of the Algonquin Park forest for future generations.

Finally, it has been a privilege to serve the people of Ontario as Chair of the AFA for these past six years. On behalf of all Board members, I thank you for the opportunity to serve.



The approved 2010-2020 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the ten-year period and outlines specific operations for the first 5-year term for 2010-2015. Forest management activities in Algonquin Park must follow FMP prescriptions.

To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters in the Forest Management Plan. The partial harvesting systems used in Algonquin Park rely heavily on natural regeneration. To date, this has been largely successful. Tree marking was carried out on 7,432 hectares in 2010-2011.

Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the Park. A total of 1,129,000 tree seedlings were planted on 1,130 hectares in 2010 and 51 hectares were aerially seeded. Private nurseries are growing 290,000 seedlings for planting in spring 2011. Nine hectolitres of cones were collected from white pine, red pine and jack pine trees for the production of new tree seed.

About 713 hectares were site prepared for planting in future years and 366 hectares were scarified for natural regeneration.

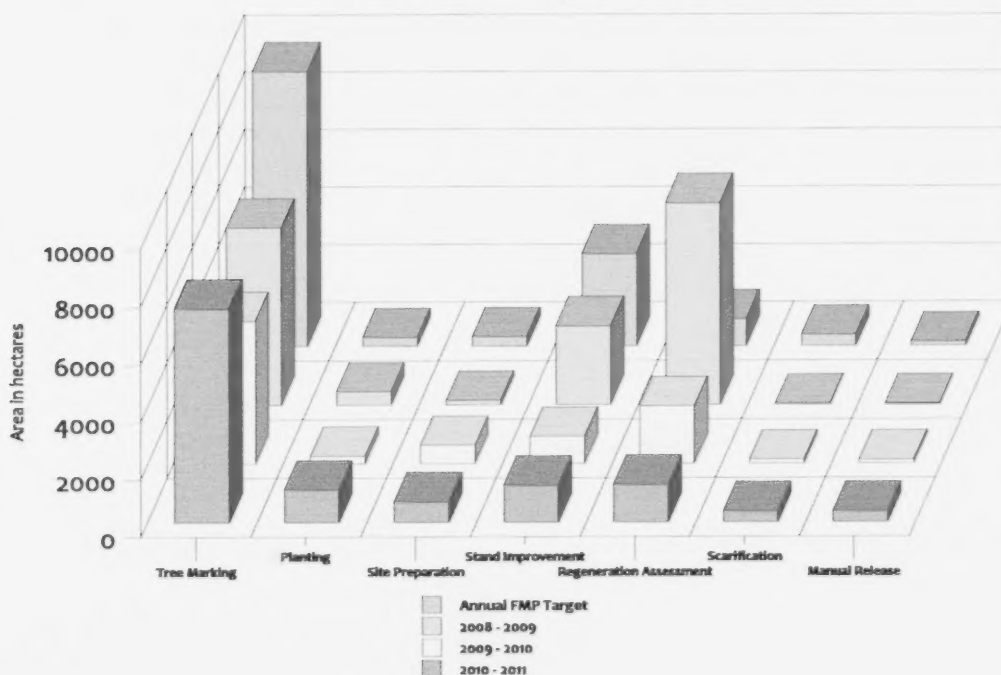
Manual tending was performed on 366 hectares to release established white pine and red pine regeneration from competing vegetation. A further 76 hectares of red pine was pre-commercially thinned and 610 hectares of evenaged understory improvement work was completed in order to improve light conditions for regeneration establishment.

Regeneration assessments were conducted on over 1,300 hectares to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments are reported in the Management Unit Annual Report in November each year. Regeneration assessments are not conducted in hardwood selection areas where natural regeneration is assured.

Stand improvement was completed on 668 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system.

The 2010-2011 forest management program is illustrated below and is compared to annual FMP targets. The program was the first year of the approved 2010-2020 FMP.

Forest Management Summary



The 2010-2020 Forest Management Plan for Algonquin Park states that a sustainable annual harvest of 783,075 cubic metres (m³) is available from the forest. The 2010-2011 harvest level from the Park was 392,047 m³ (source: AFA Accumulated Sales Data) which is within the sustainable level that the Algonquin forest can provide. The harvest was up 33,092 m³ or 9.2% from the 2009-2010 fiscal year. Volume harvested in 2010-2011 is illustrated in the following graph and is compared to the previous two years.

Most market sectors did not improve in 2010-2011 compared to 2009-2010. Poor demand is related to the continued decline in the United States' housing market and reduced global demand for wood products.

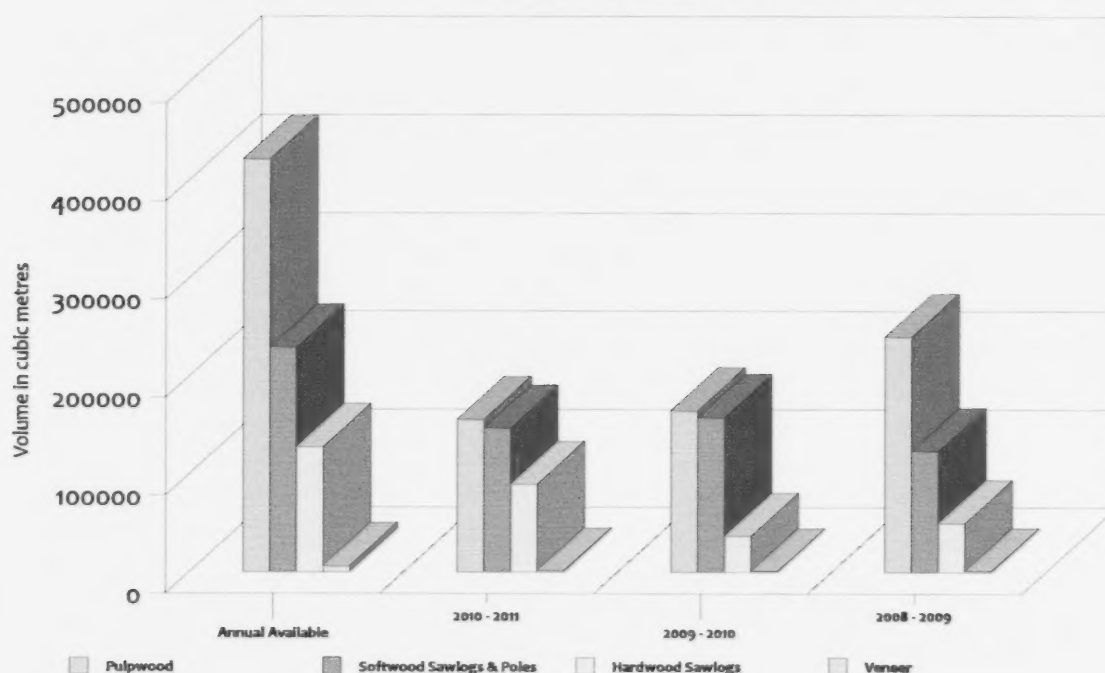
Reduced home construction in the U.S., the cost of fuel/energy and the value of the Canadian dollar will

result in a difficult 2011-2012 fiscal year for the Algonquin Park forest industry.

Robert D. Robinson Logging Ltd. of Maynooth, Ontario won the annual Safety Award for the season ending 2010-2011. This award is presented annually to the Algonquin Park logging contractor with the best safety record. Employees worked a total of 3,981 person days with no lost time days due to work related accidents and no medical aids.

In addition to the safety award, AFA and the contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on the point system, the top logging crews on each contractor operation receive rewards. The hauling and road construction sectors are also recognized for their contributions to the overall results.

Annual Harvest Levels



Harvesting and the Statement of Operations:

Operating revenues for the year were \$20,674,097, which represents an increase of \$1,471,270 or 7.7% compared to 2009-2010. Demand for forest products increased by 9.2% during the year and higher unit selling prices were achieved resulting in increases to both product sales and standing timber sales in 2010-2011.

"Other" includes approximately \$1,810,000 (\$1,750,000 in 2009-2010) of provincial road maintenance funding which was reimbursed to AFA for maintenance activities performed. Amounts then reimbursed by AFA directly to the forest industry as reduction to both product sales and standing timber sales amounted to approximately \$425,000 (\$590,000 in 2009-2010). Funding from the Forestry Futures Trust Ontario added more than \$440,000 to other income this year over the amounts received in 2009-2010.

Costs for contracted production, direct labour and stumpage were higher than the previous year, netting an increase in operating income to \$2,212,505 as compared to \$1,930,838 in the previous year. Operations planning costs associated with our Environmental Management System, CSA certification and the FMP process were \$131,683 as compared to \$165,286 in the previous year.

Administration costs for the year were \$2,112,712 which represents a decrease of \$178,657 or 7.8% compared to 2009-2010. The decrease is primarily related to decreased costs associated with salaries and benefits.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is to be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of \$897,695 (\$808,947 in 2010) represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes. Improved higher renewal value product mix more than

compensated for the reduced volumes, to contribute to the year over year increase in revenue.

Actual allowable forest renewal expenditures incurred during the year amounted to \$1,886,479 as compared to \$1,238,768 in 2010. This is the sixth consecutive year that a current year shortfall has been incurred resulting in a loss of \$401,960 (\$299,127 in 2010). We expect this trend to reverse itself once market demand improves and renewal rates are adjusted.

Financial Position- Balance Sheet

The Statement of Financial Position disclosure reflects disclosure requirements affecting not-for-profit organizations, such as the Authority, recommended by the Canadian Institute of Chartered Accountants. Funds received in advance of the planned expenditure are disclosed as "Deferred Contributions" and amounts once referred to, in a single disclosure component, as "Retained Income" have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

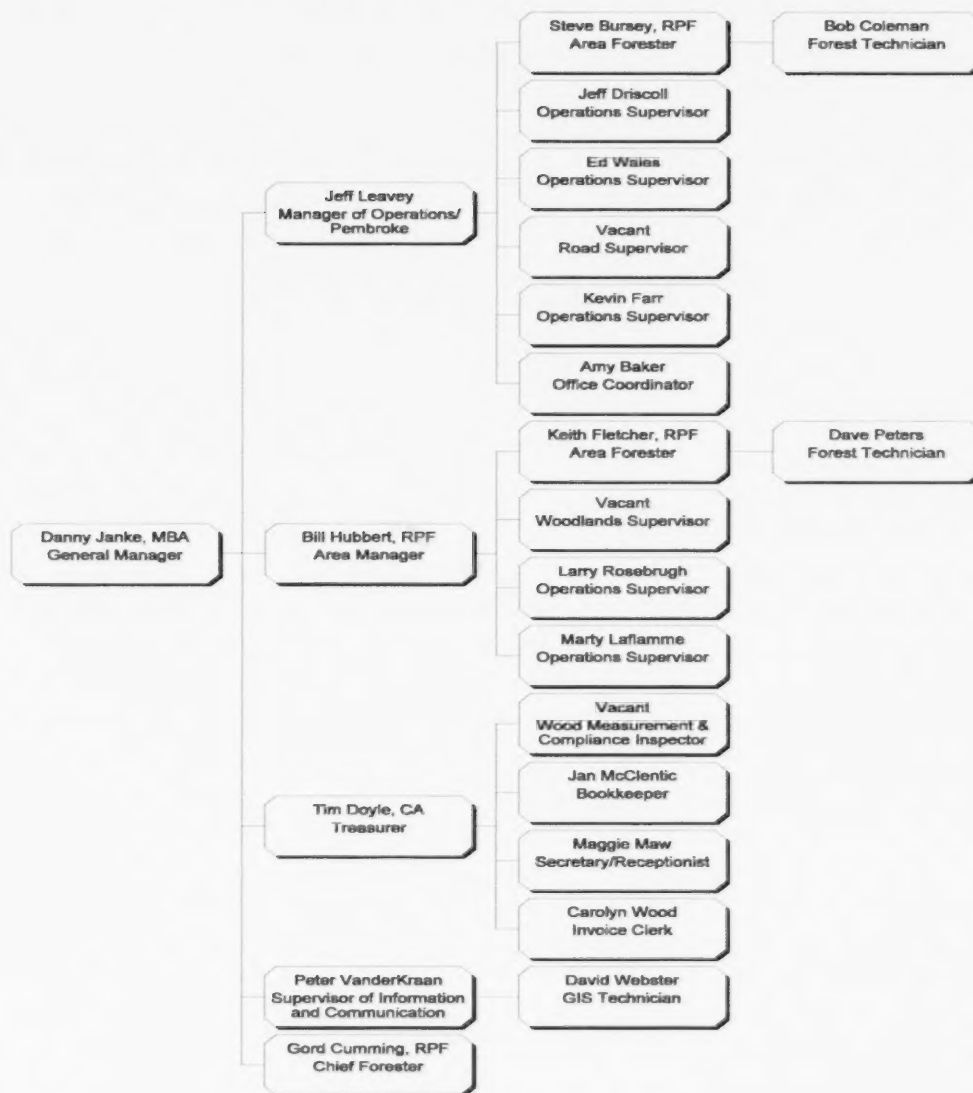
At March 31, 2011 our cash was \$972,320 lower than the prior year balance. However, our receivables were higher than the March 31, 2010 balances by \$2,260,004. As receivable balances are collected, temporary investments will be secured.

An effort was made at the end of the production season to reduce inventory levels and this initiative resulted in a slight increase in inventories of only \$2,557.

March 31 payables and accruals were higher by \$619,509 compared to 2010 as a result of having to slow down our payments to conserve cash balances. Also included in the \$1,808,165 balance is approximately \$425,000 (\$590,000 in 2009-2010) of provincial road maintenance funding that was reimbursed to AFA for maintenance activities performed and then reimbursed by AFA directly to the forest industry in June 2011.

The Renewal Account balance of \$2,500,000 (\$2,500,000 in 2010) remains well above the minimum required balance of \$1,500,000.

	DATE OF APPOINTMENT	CURRENT TERM'S EXPIRATION DATE
CHAIR:		
Hugh Christie Etobicoke, ON	September 8, 2005	December 31, 2011
VICE-CHAIR:		
David Stewart Cobden, ON	February 18, 2009	February 17, 2012
DIRECTORS:		
William Atkinson Sundridge, ON	June 2, 2004	June 1, 2013
William Dickinson Bracebridge, ON	November 10, 2005	November 9, 2011
Karen LeClerc Laurentian Hills, ON	November 10, 2005	November 9, 2011
Don McCormick Huntsville, ON	June 2, 2004	June 1, 2013
Terrence Mullin Barry's Bay, ON	November 10, 2005	November 9, 2011
Anne Mundy Huntsville, ON	June 23, 2004	June 22, 2010
<u>OFFICERS:</u>		
Daniel R. Janke, MBA General Manager	Timothy K. Doyle, CA Secretary-Treasurer	
<u>GENERAL MEETINGS:</u>		
May 7 - 8, 2010 Barry's Bay, ON	December 3 - 4, 2010 Toronto, ON	
July 23, 2010 Algonquin Park	February 4 - 5, 2011 North Bay, ON	
October 22 - 23, 2010 Pembroke, ON	March 25 - 26, 2011 Huntsville, ON	



Algonquin Forestry Authority
Financial Statements
March 31, 2011

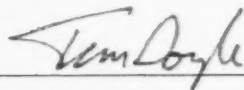
Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

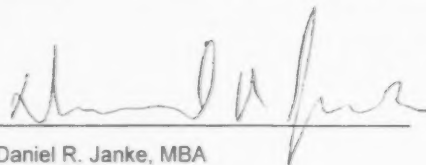
The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act*.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle, C.A.
Treasurer



Daniel R. Janke, MBA
General Manager



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Forestry Authority as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 23, 2011

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ALGONQUIN FORESTRY AUTHORITY

Statement of Financial Position

March 31, 2011, with comparative information for 2010

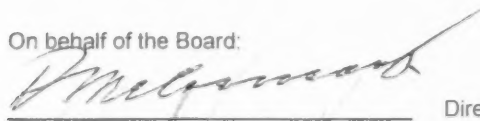
	2011	2010
Assets		
Current assets:		
Cash	\$ 1,533,402	\$ 2,505,722
Accounts receivable	8,248,468	5,988,464
Inventory	360,606	358,049
Prepaid expenses	1,962	5,147
	<u>10,144,438</u>	<u>8,857,382</u>
Capital assets (note 3)	401,592	346,610
	<u>\$ 10,546,030</u>	<u>\$ 9,203,992</u>

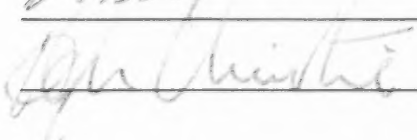
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,808,165	\$ 1,188,656
Contractors' performance holdbacks	111,485	61,185
Due to Consolidated Revenue Fund	460,137	183,452
Deferred contributions (note 4)	560,492	260,626
	<u>2,940,279</u>	<u>1,693,919</u>
Obligation for employee future benefits (note 5)	418,771	457,148
	<u>3,359,050</u>	<u>2,151,067</u>
Net assets:		
Invested in capital assets	401,592	346,610
Restricted - Forest Renewal Fund (notes 6 and 7)	2,500,000	2,500,000
Unrestricted - General Fund	4,285,388	4,206,315
	<u>7,186,980</u>	<u>7,052,925</u>
	<u>\$ 10,546,030</u>	<u>\$ 9,203,992</u>

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

ALGONQUIN FORESTRY AUTHORITY

Statement of Operations

Year ended March 31, 2011, with comparative information for 2010

	General Fund	Forest Renewal Fund	2011 Total	2010 Total
Revenue:				
Product sales	\$ 16,903,332	\$ -	\$ 16,903,332	\$ 16,199,305
Forest renewal activity	-	897,695	897,695	808,947
Standing timber sales	36,623	-	36,623	3,240
Other (note 8)	2,249,623	586,824	2,836,447	2,191,335
	19,189,578	1,484,519	20,674,097	19,202,827
Expense:				
Direct program costs	14,687,066	1,605,502	16,292,568	15,125,739
Crown timber stumpage charges	1,705,741	-	1,705,741	1,654,067
Public access road maintenance	291,039	-	291,039	266,532
Operations planning	131,683	-	131,683	165,286
Wood measurement	40,561	-	40,561	60,365
	16,856,090	1,605,502	18,461,592	17,271,989
Operating income	2,333,488	(120,983)	2,212,505	1,930,838
Administrative and other:				
Salaries and benefits	1,431,330	212,542	1,643,872	1,843,949
Amortization of capital assets	190,924	42,167	233,091	184,979
Office supplies and expenses	91,707	3,029	94,736	109,252
Office rent	40,161	13,910	54,071	51,925
Directors' allowances	29,920	-	29,920	37,088
Insurance	15,735	6,617	22,352	23,325
Staff travel and training	14,270	2,712	16,982	14,696
Public relations	16,458	-	16,458	24,875
Consulting, legal and miscellaneous	1,230	-	1,230	1,280
	1,831,735	280,977	2,112,712	2,291,369
Excess (deficiency) of revenue over expenses before the undernoted	501,753	(401,960)	99,793	(360,531)
Recovery of penalties and interest on GST assessment (note 9)	34,262	-	34,262	200,000
Excess (deficiency) of revenue over expenses	\$ 536,015	\$ (401,960)	\$ 134,055	\$ (160,531)

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative information for 2010

	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	2011 Total	2010 Total
Balance, beginning of year	\$ 346,610	\$ 2,500,000	\$ 4,206,315	\$ 7,052,925	\$ 7,213,456
Interfund transfer (note 7)	-	359,793	(359,793)	-	-
Excess (deficiency) of revenue over expenses	(187,239)	(359,793)	681,087	134,055	(160,531)
Investment in capital assets	242,221	-	(242,221)	-	-
Balance, end of year	\$ 401,592	\$ 2,500,000	\$ 4,285,388	\$ 7,186,980	\$ 7,052,925

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Cash Flows

Year ended March 31, 2011, with comparative information for 2010

	2011	2010
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 134,055	\$ (160,531)
Adjustments for:		
Amortization of capital assets	233,091	184,979
Gain on sale of capital assets	(29,634)	(19,629)
	337,512	4,819
Change in non-cash working capital:		
Increase in accounts receivable	(2,260,004)	(2,150,801)
(Increase) decrease in inventory	(2,557)	225,752
Decrease (increase) in prepaid expenses	3,185	(307)
Increase (decrease) in accounts payable and accrued liabilities	619,509	(312,646)
Increase (decrease) in contractors' performance holdbacks	50,300	(10,492)
Increase in due to Consolidated Revenue Fund	276,685	8,787
Increase in deferred contributions	299,866	45,528
Increase (decrease) in obligations for employee future benefits	(38,377)	331
	(713,881)	(2,189,029)
Cash flows from investing activities:		
Acquisition of capital assets	(288,073)	(112,395)
Proceeds on sale of capital assets	29,634	19,629
	(258,439)	(92,766)
Decrease in cash	(972,320)	(2,281,795)
Cash, beginning of year	2,505,722	4,787,517
Cash, end of year	\$ 1,533,402	\$ 2,505,722

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements

Year ended March 31, 2011

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act and is responsible for forest management in Algonquin Provincial Park.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Fund accounting:

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

(c) Revenue recognition:

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Sundry other income is recognized when earned.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies:(continued)

(d) Inventories:

Inventories, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(e) Capital assets:

Capital are stated at cost. Amortization is provided on the straight-line basis over their estimated useful lives, using the following bases and annual rates:

Asset	Bases	Rate
Automotive equipment	Straight-line	25%
Technical equipment	Straight-line	10%
Portable steel structures	Straight-line	20%
Data processing equipment	Straight-line	20%
Furniture and fixtures	Straight-line	10%
Trailers	Straight-line	10%
Leasehold improvements	Straight-line	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

(f) Financial instruments:

The Authority accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles. The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies:(continued)

(f) Financial instruments:(continued)

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations; available-for-sale financial instruments are measured at fair value with unrealized changes in fair value recorded in the statement of changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

In accordance with the Canadian generally accepted accounting principles, the Authority has undertaken the following:

- (i) Designated cash as held-for-trading, being measured at fair value.
- (ii) Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and contractors' performance holdbacks are classified as other financial liabilities, which are measured at amortized cost.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

The Authority also complies with CICA 3861, "Financial Instruments - Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Authority has selected to account for transactions as at the trade date.

(g) Employee future benefits:

The Authority provides termination benefits to qualifying employees. The Authority accrues its obligations under this benefit plan as the employees render the services necessary to earn the benefit.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies:(continued)

(g) Employee future benefits:(continued)

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Future accounting policy changes:

The Public Sector Accounting Board ("PSAB") has issued new accounting standards for government not-for-profit organizations. The Authority would be classified as a Government NPO ("GNPO") as its accounts are consolidated with those of the Province of Ontario and meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting ("PSA") Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards from the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting into the PSA Handbook as Sections PS 4200 to PS 4270. These standards are effective for fiscal years commencing on or after January 1, 2012. The Organization will be selecting PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Authority is currently in the process of evaluating the potential impact of adopting these changes.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,320,075	\$ 26,725	\$ 58,270
Portable steel structures	568,178	366,733	201,445	130,869
Forest renewal assets	354,180	290,769	63,411	72,293
Automotive equipment	285,652	201,504	84,148	60,029
Technical equipment	199,564	184,153	15,411	9,630
Data processing equipment	149,267	143,564	5,703	8,813
Furniture and fixtures	83,358	81,157	2,201	3,388
Leasehold improvements	44,803	42,957	1,846	2,335
Trailers	13,690	12,988	702	983
	\$ 7,045,492	\$ 6,643,900	\$ 401,592	\$ 346,610

4. Deferred contributions:

Deferred contributions represent unspent resources received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2011	2010
Public access road maintenance:		
Balance, beginning of year	\$ 166,637	\$ 133,089
Add: contributions received in the year	300,000	300,080
Less: amount spent in the year	(291,039)	(266,532)
Balance, end of year	175,598	166,637
Other park-related projects:		
Balance, beginning of year	93,989	82,009
Add: contributions received in the year	336,759	57,844
Less: amount spent in the year	(45,854)	(45,864)
Balance, end of year	384,894	93,989
	\$ 560,492	\$ 260,626

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Employee future benefits:

(a) Multi-employer pension plan:

The Authority's full-time employees participate in the Public Service Pension Fund (PSPF) which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to the PSPF. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of \$150,607 (2010 - \$179,838) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits:

The Authority provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one-half of the employees' annual salary. The total obligation for severance payments vested amounts to \$418,771 (2010 - \$457,148) at year end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Forest renewal fund:

Effective April 1, 2002, the Authority renewed its 20 year agreement with the Ministry of Natural Resources, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of \$1,500,000 in the Forest Renewal Fund.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Interfund transfer:

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below \$2,500,000 shall be funded by the General Fund.

8. Road maintenance funding:

Included in General Fund Other Revenue is revenue of \$1.81 million (2010 - \$1.75 million) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes.

9. Penalties and interest on GST assessment:

In 2007, the Authority was subject to a Goods and Services Tax ("GST") audit from Canada Revenue Agency ("CRA"). This audit covered the periods April 1, 2002 to December 31, 2006. The Authority was required to remit GST to CRA relating to stumpage fees which the Authority was able to recover from its customers. As a result of the assessment by CRA, the Authority also paid penalty and interest charges of \$234,598. As a result of submitting a Request for Taxpayer Relief to the CRA, the Authority received notification that it qualifies for a reduced penalty and as such, the Authority received a refund from CRA of \$34,262 (2010 - \$200,000).

10. Remuneration of appointments:

Total remuneration of the Board members of the Authority was approximately \$13,700 during the fiscal year (2010 - \$18,900).

11. Financial instruments:

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of the Authority's financial instruments approximate their carrying values, unless otherwise noted.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2011

12. Capital management:

The Authority defines net assets as capital. The Authority manages its capital to have sufficient resources to satisfy its liabilities as they become due and to provide the services for which it is constituted in a consistent and quality manner. The Ministry of Natural Resources requires the Authority to maintain a minimum balance of \$1,500,000 (2010 - \$1,500,000) in the Forest Renewal Fund and the Authority has complied with this requirement.

13. Available credit facilities:

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of \$1,000,000 with its banker. The line of credit is unsecured and bears interest at the bank's prime rate minus .50%.

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Sur demande, vous pouvez obtenir la version française de ce rapport annuel.